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Report of the Trade and Development Board on its forty-sixth session* (Geneva, 18 to 29 October 1999)

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INTRODUCTION

(i) The forty-sixth session of the Trade and Development Board was held at the Palais des Nations, Geneva, from 18 to 29 October 1999. In the course of the session, the Board held four plenary meetings - the 905th to 908th meetings.

(ii) This report to the United Nations General Assembly has been prepared by the Rapporteur under the authority of the President of the Board, in accordance with the guidelines adopted by the Board in the annex to its decision 302 (XXIX) of 21 September 1984. The report records, as appropriate, the action by the Board on the substantive items of its agenda (section I) and procedural, institutional, organizational and administrative matters (section II).

(iii) Volume II of the report of the Board on its forty-sixth session - to be issued subsequently in TD/B/46/15 (Vol.II) - will reflect all the statements made in the course of the session on the various items of the agenda.

I. ACTION BY THE TRADE AND DEVELOPMENT BOARD ON SUBSTANTIVE ITEMS ON ITS AGENDA

A. Interdependence and global economic issues from a trade and development perspective: trade, growth and external financing in developing countries

(Agenda item 3)

At its 908th plenary meeting, on 29 October 1999, the Trade and Development Board took note of the Chairman's summary on agenda item 3.

Chairman's summary

1. Discussions focused on globalization and, more specifically, on the multilateral trading system and, to a lesser extent, on the global financial system. There was broad agreement that an equitable sharing of costs and benefits of globalization was essential for sustaining the momentum of global integration. However, it was stressed by some speakers that at present the benefits of globalization were not shared equally, and that some countries were running the risk of becoming increasingly marginalized. They also expressed concern over the widening income gaps between rich and poor nations and argued that integration into the world economy could not be left to markets alone: neither the State nor the market on its own was capable of creating and distributing wealth efficiently and equitably.

2. For most developing countries, these speakers emphasized, the problem was not globalization *per se* but its regulation and management. There was a need to improve the functioning of the international financial system; to strengthen the role and participation of developing countries in the reform of the global financial architecture; to remove the asymmetries and biases in the trading system against developing countries; and to allow a greater space for policy autonomy to developing countries and, in this context, to review some of the Uruguay Round agreements in order to provide greater flexibility.

3. There was wide agreement that trade liberalization could bring substantial benefits to all countries; that trade should be used as a vehicle for development; and that market access was essential for this purpose. There was also consensus on the benefits of a rules-based multilateral trading system, particularly for developing countries. Nevertheless, there was some disagreement over the future direction of the multilateral trading system.

4. Speakers from developing countries generally stressed that the existing trading system lacked a development component. In their view little progress had been made since the Uruguay Round in areas of export interest to developing countries. New non-tariff measures had been introduced, anti-dumping provisions had been abused, the special agreements had not been applied, and built-in biases had impeded exports and transfer of technology. They underlined the importance of better market access and rapid growth in industrial countries, expressed concern over the continued protection and support in these countries of agriculture and uncompetitive industries, and stressed that such restrictions had reduced the benefits of outward-oriented development strategies. It was thus imperative that developed countries undertake structural adjustments, eliminating support and

protection of sectors in which they no longer had comparative advantage. Owing to their critical importance to developing countries' market access these issues should be at the core of the next round of trade negotiations.

5. By contrast, speakers from developed countries stressed the benefits to developing as well as developed countries from the Uruguay Round. They also underlined the importance of appropriate policies and good governance in developing countries. While most developing countries agreed on the role of domestic policies and institutions, they pointed out that even countries with sound policies and good governance had been forced to cope with external shocks, instability and imbalances.

6. Referring in particular to specific country experiences, some developing-country speakers expressed the view that the approach to trade liberalization should be gradual since certain preconditions had to be fulfilled for successful liberalization and integration. They argued that freedom for domestic policy in developing countries was becoming more and more limited, and an increasing number of economic policy decisions were dictated by changes in the external environment. Special and differential treatment thus remained an essential element of the rules-based trading system. GATS was a good example of an agreement combining market access with country-specific flexibility. Speakers from developed countries, on the other hand, while recognizing the problems encountered by some developing countries in capacity-building and the need to look at specific issues and problems on a case-by-case basis, believed that a blanket concept of special and differential treatment would be mistaken. Doubts were also expressed about the rationale of infant industry protection in developing countries.

7. The validity of concerns over the environmental sustainability of development were generally acknowledged, and freer transfer of environment-friendly technology from developed to developing countries was seen by some as an effective way of dealing with the problem. Many developing-country speakers expressed concern over the use of environmental standards to create new barriers to developing-country exports.

8. Regional trade arrangements such as MERCOSUR were suggested as useful vehicles to promote growth and development in developing countries, and as an appropriate response to the challenge of globalization. Some speakers also pointed to other potential benefits of increased South-South trade.

9. On financing for development, the need for debt relief and increased ODA was emphasized by many participants from developing countries. However, it was also pointed out that growth based on ODA was unsustainable. Several speakers noted that the need for regulation and gradualism was much greater in the case of financial than of trade liberalization. Many developing-country speakers stressed that the vulnerability of developing countries to external shocks, particularly to swings in commodity prices, volatility in international capital flows, and financial contagion, had increased as a result of greater global integration. In their view, therefore, there was a need for more appropriate external financing for development, which should be put on a firmer basis and not left entirely to international financial markets.

10. Many speakers considered UNCTAD's independent and critical analysis of issues related to globalization and interdependence and its integrated treatment of trade, finance and development to

be of great value for member countries. The role of UNCTAD in trade was generally seen as introducing the development dimension into negotiations and as providing assistance to developing countries in the formulation of a positive agenda and other preparations for the forthcoming trade negotiations. It was suggested that UNCTAD should continue its analytical work on the multilateral trading system, particularly with respect to the problems of unequal competition, the policy flexibility needed to pursue development goals, and the optimal pace of liberalization. UNCTAD should also undertake further research on the factors affecting the declining share of developing countries in commodity trade and examine carefully the issues of financing for development, capital controls, and the role of domestic policy measures in the East Asian recovery from the financial crisis.

B. Review of progress in the implementation of the Programme of Action for Least Developed Countries for the 1990s and review of the status of the preparatory process for the Third United Nations Conference on the Least Developed Countries

(Agenda item 4)

Agreed conclusions 457 (XLVI)

(a) Review of progress in the implementation of the Programme of Action for Least Developed Countries for the 1990s

1. While commending the quality of the Overview to *The Least Developed Countries 1999 Report* and the relevance of the theme of the *1999 Report*, and taking note of the reasons given for

its delay, disappointment was expressed that the full *Report* was not available to facilitate deliberations. UNCTAD was urged to accord similar status and resources to the preparation of future editions of *The Least Developed Countries Report* as to the other UNCTAD flagship reports, and was called upon to ensure that the *1999 Report* was finalized and distributed as soon as possible in order to provide a solid basis for discussions and preparations for UNCTAD X and the Third United Nations Conference on the Least Developed Countries.

2. The major structural weaknesses underlying poor production capacities and competitiveness in the least developed countries (LDCs), including deficiencies in physical infrastructure, low human-resource development and insufficient resources to address major investment needs, were noted. It was considered that a participatory preparatory process for the Third United Nations Conference on the Least Developed Countries would shed further light on those problems, help find solutions and give new impetus to commitments in favour of LDCs.

3. LDC Governments, with the support of the international community, were encouraged to pursue and deepen economic reforms and structural adjustment programmes as well as public policy in addressing investment in human resources and physical infrastructure and in creating an enabling environment for peace, economic growth and development. In that regard, the importance of comprehensive and integrated development strategies that are people-centred and results-based was highlighted. LDCs should be assisted in designing and implementing all-encompassing development strategies, for the benefit of all people and capable of generating economies that are integrated nationally and regionally.

4. The paucity of resources to finance the enhancement of productive capacities is one of the important constraints on the development of LDCs. In the light of the poor prospects for the internal mobilization of adequate development resources, through domestic savings and the production of adequate exportable surpluses, official development assistance (ODA) flows continue to be of critical

importance in sustaining growth and development in LDCs. However, those flows have continued to decline and only a few donor countries have met or surpassed their agreed ODA targets. In real terms, ODA flows to LDCs have fallen by 23 per cent since the beginning of the decade. Donor countries were called upon to increase the level of aggregate financial support to LDCs in line with the ODA targets contained in the Programme of Action for Least Developed Countries for the 1990s. Coordination among donors, full ownership and the adoption of sound domestic policies by the recipient country are necessary conditions for effective and well-targeted assistance.

5. The LDCs' debt burden represents one of the major obstacles to economic and social development and it is imperative to proceed more vigorously with debt relief. Recent initiatives, including the G-7 Cologne Summit initiative and the endorsement of the Enhancement Framework by the Ministerial Meeting of the Interim and Development Committees of the International Monetary Fund and the World Bank, which promise to expedite the resolution of the debt problem of the heavily indebted poor countries, were welcomed.

6. Along with the need to improve productive capacity and overcome supply-side constraints, the need for improved and unencumbered market access for LDCs was highlighted. A call was made for immediate action to improve export opportunities for LDCs and assist their integration into the multilateral trading system. In that context, the proposals submitted by LDCs to the Third World Trade Organization (WTO) Ministerial Conference were noted. The WTO accession process for LDCs which are not yet members was recognized as an integral and important part of efforts to reverse the current marginalization of LDCs in world trade and support their efforts to become integrated into the world economy and international trading system. In that regard, the UNCTAD secretariat was called upon to continue strengthening its efforts to assist LDCs through analytical work to facilitate the formulation of a positive agenda in trade negotiations for LDCs and through technical assistance to strengthen their capacity to defend their interests in future negotiations.

(b) Review of the status of the preparatory process for the Third United Nations Conference on the Least Developed Countries

7. The timely initiatives undertaken by the Secretary-General of UNCTAD, in his capacity as Secretary-General of the Conference, and by the Executive Secretary of the Conference, to launch the preparatory process for the Conference, including the establishment of the Consultative Forum, inter-agency consultations and the initiation of country-level preparations, were welcomed. The approach proposed by the Secretary-General of the Conference, to base the global-level preparatory process for the Conference on comprehensive and participatory country-level preparatory activities, was noted. While calling upon the Conference secretariat to observe cost-effectiveness, donors who had not already done so were encouraged to provide the UNCTAD Conference secretariat with the resources required to facilitate the preparatory process, particularly at country level.

8. UNCTAD, as a focal point for the LDCs in the United Nations system, has an important role to play in assuring the realization of an inclusive vision of development and the evolution of a global economy that provides opportunities for all. Continued support was expressed for UNCTAD's activities in the form of both technical assistance and analytical work. A special call was made to ensure that the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries in UNCTAD was provided with the necessary support and adequate resources to carry out its important task.

9. The relevant upcoming global meetings and conferences, including the Third WTO Ministerial Conference, UNCTAD X, reviews of major global conferences, the Millennium Assembly and the high-level international intergovernmental consideration of financing for development, should contribute to, and be linked with, the preparatory process of the Third United Nations Conference on the Least Developed Countries. Other ongoing and planned initiatives on

LDCs should be monitored by the Conference secretariat, and their outcomes relevant to LDCs should be brought under the overall umbrella of the preparations for the Conference with a view to ensuring consistency, coherence and effectiveness.

10. Any possible future action plan for LDCs would need to be flexible enough to accommodate unexpected developments in the global economy and to meet the challenges of LDCs in the next century. Most importantly, there is a need to clearly spell out goals and objectives, as well as to make specific resource commitments and identify the necessary performance criteria by which to assess whether the goals have been attained in specific time periods.

(c) Technical assistance

11. Enhancing and improving trade-related technical cooperation is a key element in supporting LDCs' efforts to integrate into the multilateral trading system. In that regard, concern was expressed at the slow pace of implementation of the Integrated Framework for Trade-Related Technical Assistance. The need to continue to enhance and improve coordination and coherence among the agencies, the LDC concerned and donor countries involved in the implementation of the Integrated Framework was emphasized.

12. The regular review and replenishment of the LDCs Trust Fund was stressed. The secretariat's intention to publish a report on the activities financed and additional resource requirements for the LDCs Trust Fund was welcomed.

C. UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s: African transport infrastructure, trade and competitiveness

(Agenda item 5)

Agreed conclusions 458 (XLVI): African transport infrastructure, trade and competitiveness

The Trade and Development Board recognizes that:

1. A major problem preventing Africa from achieving sustained growth and sustainable development is the lack of investment in human and physical infrastructure. The transport sector is among the most important elements of physical infrastructure. However, capital investment in this sector has been squeezed during the past 20 years. Existing infrastructure has also suffered from lack of maintenance, owing *inter alia* to paucity of resources.

2. While there is a case to be made for greater participation by the private sector in transport infrastructure development, private investment is still limited.

3. The relatively high cost of transport has seriously undermined the competitiveness of African exports and contributed to increased prices of key imports, thus adversely affecting the balance-of-payments positions of African countries. This has been exacerbated by the high level of foreign exchange payments for transport services, which are particularly high for sub-Saharan Africa and especially the landlocked countries among them. High transaction costs, including customs procedures, are also contributing factors.

4. Poor rural transport systems have adversely influenced specialization and market development as well as the national and international tradeability of goods. The weak supply response of African smallholders to policy reforms reflects, *inter alia*, the poor rural transport infrastructure and a lack of access to markets.

The Trade and Development Board considers that:

5. Private finance in transport infrastructure offers a welcome new source of investment. It can make a useful contribution in public-private partnerships, which need a predictable national and international environment. Risk perceptions and the need for sufficient and predictable returns on investment limit the types of assets and locations to which such resources are attracted. Multilateral financial institutions, in accordance with their rules and regulations, can be helpful in providing long-term finance and credit guarantees in order to enable countries to tap capital markets. In this context, there is a need to diffuse best practices between investors, regional development banks and other financial institutions, and to make every effort to overcome exaggerated perceptions of risk which deter private investment in commercially attractive products.

6. One role of the government could be to facilitate market forces by adopting a strategic perspective on infrastructure rehabilitation and development, including by identifying profitable projects in which the private sector might get involved. National policies should also continue to improve, and where needed create, an enabling regulatory environment for encouraging private sector financing, including foreign direct investment.

7. However, in the light of the limitations on private participation in infrastructure development and maintenance, the role of public finance remains crucial. African countries need policy flexibility for mobilizing sufficient public finance to meet transport infrastructure requirements without creating excessive fiscal deficits or harming incentives. There is a need to adopt principles of cost recovery, but due attention has to be given to any adverse effects on users of transport services, prices of tradeables and competitiveness. Cost recovery should be enhanced by measures which aim to reduce infrastructure financing costs.

8. There is an important role for ODA in infrastructure financing, including as a catalyst for the attraction of foreign investment and as a means of promoting rural development. The fall in the levels of ODA flows in real terms continues to be a cause for concern, and donors are invited to increase the level of ODA in accordance with internationally agreed targets. Efforts should be made to untie official development assistance, as the frequent practice of tying aid in infrastructure development may tend to undermine international competition in procurement and may increase costs and lead to the installation of inappropriate equipment.

9. A heavy debt burden and lower export earnings from falling commodity prices are important external factors that limit the possibility of national Governments to raise sufficient capital for much-needed investments in the transport sector. The recently enhanced heavily indebted poor countries initiative (HIPC) arising from the Cologne Summit is indicative of the faster and deeper debt relief required in order to assist African countries to invest in human and physical infrastructure development. Equally, better access to markets for products of export interest to African countries is required in order to generate income for investment.

10. African countries have long recognized the vital role of regional cooperation and integration in facilitating intra-African trade and export competitiveness and in creating economies of scale. Such cooperation and integration are particularly important for creating complementarity of interests between landlocked and coastal countries. Practical measures to facilitate regional and subregional cooperation in transport infrastructure development in Africa include strategic convergence of regulatory regimes and effective cross-border coordination. Multilateral financial institutions are invited to increase their share of financing of regional and subregional projects.

11. The Trade and Development Board welcomes the incisive and relevant study on African transport infrastructure, trade and competitiveness undertaken by the UNCTAD secretariat (TD/B/46/10) and encourages the secretariat, within its mandate, to continue its analysis of the development problems of African countries, as well as its technical cooperation activities aimed at reducing transaction costs, such as the Advance Cargo Information System (ACIS) and the Automated System for Customs Data (ASYCUDA), as UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s.

D. Action taken on other substantive items

1. Preparatory process for the tenth session of the Conference: Establishment of the Committee of the Whole (agenda item 2)

1. At its opening plenary meeting, on 18 October 1999, the Board decided to establish an open-ended Committee of the Whole, under the chairmanship of the President of the Board, to elaborate

the substantive pre-Conference text for transmittal to the Conference and to consider any other relevant matters deemed necessary as part of the preparatory process for the Conference.

2. At its closing plenary meeting, on 29 October 1999, the Board took note of the fact that the Committee of the Whole had set itself a time-table of work with a view to reporting to the Board at its twenty-third executive session on 17 December 1999.

2. *Technical cooperation activities* (agenda item 6)

(a) Review of technical cooperation activities

3. At its 907th plenary meeting, on 29 October 1999, the Board took note of the secretariat's overview of technical cooperation activities (TD/B/46/3 and Add.1-2), of the oral report of the Chairperson of the Working Party on the Medium-term Plan and the Programme Budget, and of the fact that technical cooperation issues not resolved by the Working Party should be taken up by the Committee of the Whole.

(b) Consideration of other relevant reports: report on UNCTAD's assistance to the Palestinian people

4. At its 907th plenary meeting, on 29 October 1999, the Board took note of the secretariat's report on UNCTAD's assistance to the Palestinian people (TD/B/46/ [1]

3. *Other matters in the field of trade and development* (agenda item 7)

(a) *Specific actions related to the particular needs and problems of land-locked developing countries*

5. At its 908th plenary meeting, on 29 October 1999, the Board took note of the report of the Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions (TD/B/46/6), endorsed the conclusions and recommendations contained in part II of the report, and decided to transmit the report, together with the "Progress report by the UNCTAD secretariat" (TD/B/46/7), to the General Assembly at its current session.

(b) *Progressive development of the law of international trade: thirty-second annual report of the United Nations Commission on International Trade Law*

6. At its 908th plenary meeting, on 29 October 1999, the Board took note of the report of UNCITRAL on its thirty-second session (A/54/17).

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[1] Further to the provisions of General Assembly decision 47/445, an account of the Board's discussion on assistance to the Palestinian people is annexed to the present report (see annex II).

4. *Other business (agenda item 9)*

Outcome of the consultations on the review and functioning of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the Intergovernmental Group of Experts on Competition Law and Policy

7. As a result of a series of informal consultations mandated by the Trade and Development Board on the review of the functioning of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the Intergovernmental Group of Experts on Competition Law and Policy, at its 908th plenary meeting on 29 October 1999, the Board agreed on the following principles:

(a) The status of both Groups should remain unchanged, in accordance with Economic and Social Council decision 1997/307 of 25 July 1997 and General Assembly resolutions 35/63 of 5 December 1980 and 52/182 of 18 December 1997;

(b) In order to maximize the involvement of non-members in the discussions of both Groups, the greater participation of all member States of UNCTAD in the work of both Groups should be encouraged; improved participation would also contribute to the better functioning of both Groups;

(c) The work programme of both Groups should be brought under the auspices of the competent Commission. This would allow member States of UNCTAD to guide and

determine the scope of the work of both Groups. This arrangement would also permit States members of UNCTAD to better monitor the effective functioning of these bodies. With respect to elements of the work programme and the timeframe needed for their consideration, they are to be proposed by expert members of the respective groups and submitted to the Commission concerned for its final decision, without prejudice to the General Assembly resolutions relating to the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices. The proposed work plan may be a multi-year programme so that work could be planned and approved in advance.

8. It is proposed that the Board should request the Economic and Social Council (for the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting) and the General Assembly (for the Intergovernmental Group of Experts on Competition Law and Policy) to endorse point (c) above.

II. PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

1. The forty-sixth session of the Trade and Development Board was opened on 18 October 1999 by Mr. Chak Mun See (Singapore), the outgoing President of the Board.

B. Election of officers[2/]

(Agenda item 1 (a))

2. At its 905th (opening) plenary meeting, on 18 October 1999, the Board elected by acclamation Mr. Philippe Petit (France) as President of the Board for the duration of its forty-sixth session.

3. Also at its opening plenary meeting, the Board completed the election of officers to serve on the Bureau of the Board throughout its forty-sixth session by electing 10 Vice-Presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

[2/] The officers of the Bureau are elected to serve for a year-long period beginning with the forty-sixth session of the Board.

President:	Mr. Philippe Petit	(France)
Vice-Presidents:	Mrs. Fayza Aboulnaga	(Egypt)
	Mr. Munir Akram	(Pakistan)
	Mr. Krit Garnjana-Goonchorn	(Thailand)
	Mr. Koichi Haraguchi	(Japan)
	Mr. Walter Lewalter	(Germany)
	Mr. George Moose	(United States of America)
	Mr. Goce Petreski	(The Former Yugoslav Republic of Macedonia)
	Mr. Camilo Reyes-Rodriguez	(Colombia)
	Mr. Ronald Saborío Soto	(Costa Rica)
	Mr. Vasily Sidorov	(Russian Federation)

4. In accordance with past practice, the Board agreed that the regional coordinators and China, as well as the Chairmen of the sessional Committees, would be fully associated with the work of the Bureau.

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

5. At its opening meeting, the Board adopted the annotated provisional agenda for the session contained in TD/B/46/1 and Corr.1. (For the agenda as adopted, see annex I below).

6. At the same meeting, and in accordance with the organization of work for the session in TD/B/46/1, the Board established two sessional committees to consider and report on items on its agenda as follows:

Sessional Committee I:

Item 4: Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s and review of the status of the preparatory process for the Third United Nations Conference on Least Developed Countries.

Sessional Committee II:

Item 5: UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s.

7. The following officers were elected to serve on the Bureau of Sessional Committee I:

Chairperson: Mr. Walter Lewalter (Germany)

Vice-Chairperson-*cum*-Rapporteur: Mr. Mussie Delelegn (Ethiopia)

8. The following officers were elected to serve on the Bureau of Sessional Committee II:

Chairperson: Mr. Adolphe Nahayo (Burundi)

Vice-Chairperson-*cum*-Rapporteur: Mrs. Ingrid Mollestad (Norway)

D. Adoption of the report on credentials

(Agenda item 1 (c))

9. At its 908th (closing) plenary meeting, on 29 October 1999, the Board adopted the report of the Bureau on the credentials of representatives attending the forty-sixth session (TD/B/46/13).

E. Provisional agenda for the forty-seventh session of the Board

(Agenda item 1 (d))

10. The Board decided that, following past practice, the Secretary-General of UNCTAD would draw up a draft provisional agenda for the forty-seventh session of the Board in the light of the

outcome of UNCTAD X and would present it to the Bureau at appropriate monthly consultations of the President of the Board.

F. Review of the calendar of meetings

(Agenda item 8 (a))

11. At its 908th plenary meeting, on 29 October 1999, the Board approved UNCTAD's calendar of meetings for the remainder of 1999 and up to UNCTAD X in February 2000, as well as an indicative calendar for the remainder of the year 2000 (TD/B/46/CRP.1).

G. Administrative and financial implications of the actions of the Board

(Agenda item 8 (b))

12. At the same meeting, the Board was informed that there were no additional financial implications for the current programme budget stemming from the actions taken at the forty-sixth session of the Board.

H. Adoption of the report

(Agenda item 10)

13. At its 908th plenary meeting, on 29 October 1999, the Board took note of the reports of Sessional Committee I (TD/B/46/SC.1/L.1 and Add.1 and L.3) and Sessional Committee II (TD/B/46/SC.2/L.1 and Add.1) and decided to incorporate them in the final report of the Board on its forty-sixth session.

14. At the same meeting, the Board took note of the Chairman's summary on agenda item 3 (TD/B/46/L.2) and adopted the draft report on its forty-sixth session (TD/B/46/L.1 and Add.1), subject to any amendments that delegations might wish to make to the summaries of their statements. The Board further authorized the Rapporteur to complete the final report as appropriate and, under the authority of the President, to prepare the report of the Trade and Development Board to the General Assembly.

Annex I

AGENDA FOR THE FORTY-SIXTH SESSION OF THE TRADE AND DEVELOPMENT BOARD

1. Procedural matters:

   (a) Election of officers

   (b) Adoption of the agenda and organization of the work of the session

   (c) Adoption of the report on credentials

   (d) Provisional agenda for the forty-seventh session of the Board

2. Preparatory process for the tenth session of the Conference:

   - Establishment of the Committee of the Whole

3. Interdependence and global economic issues from a trade and development perspective: trade, growth and external financing in developing countries

4. Review of progress in the implementation of the Programme of Action

for Least Developed Countries for the 1990s and review of the status of the preparatory process for the Third United Nations Conference on the Least Developed Countries

5. UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s

6. Technical cooperation activities:

(a) Review of technical cooperation activities of UNCTAD

(b) Consideration of other relevant reports: Report on UNCTAD's assistance to the Palestinian people

7. Other matters in the field of trade and development:

(a) Specific actions related to the particular needs and problems of land-locked developing countries

(b) Progressive development of the law of international trade: thirty-second annual report of the United Nations Commission on International Trade Law

8. **Institutional, organizational, administrative and related matters:**

(a) Review of the calendar of meetings

(b) Administrative and financial implications of the actions of the Board

9. Other business

10. Adoption of the report

Annex II

DISCUSSION IN THE TRADE AND DEVELOMENT BOARD UNDER AGENDA ITEM 6 (b): REPORT ON UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

1. For its consideration of this item, the Board had the following documentation before it:

"Report on UNCTAD's assistance to the Palestinian people" (TD/B/46/5).

2. The **Acting Coordinator for Assistance to the Palestinian people**, introducing the UNCTAD secretariat's report on this item (TD/B/46/5), said that UNCTAD's assistance to the Palestinian people, elaborated in close consultation with Palestine, had become a source of concrete and reliable technical support in terms of promoting the sustained development of the Palestinian economy. The review of UNCTAD's programme of technical assistance to the Palestinian people was presented in the empirical and substantive context in which it operated. The secretariat had also provided a brief update of major trade indicators, which confirmed an acceleration of the deteriorating trend that had begun in the 1980s. This implied serious imbalances that required close policy and technical attention.

3. Despite the challenges to be addressed in reconstructing the Palestinian economy, past years had witnessed important developments in sectors addressed by UNCTAD's technical assistance activities. UNCTAD's assistance to the Palestinian people had aimed at bolstering Palestinian institutional development and helping to create an enabling environment for the private sector. By mid-1999, the secretariat had been able to secure about 30 per cent of the funds needed for technical assistance activities under implementation or proposed. The secretariat had provided advisory services and/or training in eight areas detailed in the report, with activities fully or partially funded through the regular budget, UNDP, UNITAR and a bilateral source. Meanwhile, technical assistance had also been provided in six other areas, though project funding had yet to be mobilized. In that connection, the secretariat had recently received indications of forthcoming extrabudgetary funding from several States members of UNCTAD for some unfunded technical cooperation activities. Central support functions in the secretariat would also be strengthened soon through extrabudgetary funding of an Associate Expert to assist in delivering technical assistance to the Palestinian Authority. Efforts continued to mobilize extrabudgetary funding from bilateral donors and Arab regional funding organizations. UNCTAD was grateful for the generous support for its technical assistance in this area provided or envisaged by the Governments of Italy, the Netherlands, Norway and the United Kingdom, as well as the ongoing funding provided by UNDP.

4. UNCTAD's activities in the area of assistance to the Palestinian people were closely coordinated with the relevant international organizations, though inter-agency coordination still needed to be improved. The scope of programmed activities had been maintained over the biennium, and a vacant post had been allocated for the Coordinator of Assistance to the Palestinian people, as called for by General Assembly decision 52/220.

5. Recently available indicators helped to provide an initial evaluation of programme impact and had revealed a number of factors which could be cited to attest to the relevance of and demand for UNCTAD's technical assistance, as well as shortcomings that needed to be addressed. The secretariat would pursue and intensify its assistance to the Palestinian people over the coming biennium, supporting Palestine as it emerged as a distinct actor in the regional and global economic arenas and promoting the integration of the Palestinian economy at the regional and global levels.

6. The representative of **Palestine** said that the economic conditions of the Palestinian people had continued to deteriorate owing to Israeli economic and political hegemony, put into practice through different means. This came after long decades of Israeli occupation of the Palestinian territory and the systematic degradation of the Palestinian economic and social infrastructure. The secretariat report confirmed the accelerating deterioration in trade that had begun in the 1980s and noted that, since 1996, these chronic problems, which had begun during Israeli occupation, had reached critical levels. The report also confirmed a disappointing feature of Palestinian trade, namely the slow growth of exports and their increasing diversion to Israel.

7. Despite the positive developments connected with the establishment of the Palestinian Authority, economic activities had been adversely affected by a prolonged fall in living conditions, high unemployment and border closures, which led to an internal geographic separation of the occupied Palestinian territory. The current economic situation in the Palestinian territory confirmed once again that the Israeli occupation was the major cause of the territory's poor and deteriorating economic conditions. Such was the logical outcome of foreign occupation, be it in Palestine or elsewhere in the world.

8. The secretariat report was an important document which provided a realistic account, though phrased in polite language, of the economic hardship and strict political constraints faced by the Palestinian people. The latter continued to suffer from the Israeli occupation and its harsh policies, despite the stalemated negotiations, which had yet to begin to address the most essential issues. As long as Israeli occupation continued in any form, directly or through the maintenance of illegal Israeli settlements, there was no hope for a sustained improvement in the economic situation or for growth and development of the Palestinian economy. For these reasons, Palestine attached great importance to the assistance provided by the UNCTAD secretariat, and that assistance would continue to be required until the Israeli occupation was ended and the Palestinian people was able to take its own affairs in hand, free from any form of hegemony or external control. In conclusion, he thanked the UNCTAD secretariat for all of its projects of assistance to the Palestinian people. He hoped that these efforts would continue until the Palestinian people had attained their national goals of liberation and the end of Israeli occupation of the Palestinian territory.

9. The representative of **Egypt**, speaking on behalf of the **African Group**, said that the shift in focus of the secretariat programme from research and analysis to technical cooperation as from 1995 was a positive development. The efforts deployed had been based on the broad guidelines provided to the secretariat and the relevant analytical framework. The continued hardships facing the Palestinian people and their economic implications made it imperative for the international community to deepen its efforts to ameliorate the situation and to support the efforts of the Palestinian Authority to establish an economic environment conducive to growth and development. In this respect, it was necessary that UNCTAD's programme of assistance to the Palestinian people be expanded to respond to the needs of the Palestinian Authority.

10. Even though the secretariat's report attested to the efforts expended by the Palestinian Authority in many areas, including institutional frameworks, infrastructure development and trade agreements, much remained to be done. Despite the negligible improvements in indicators for 1998, the Palestinian economy still faced many challenges, most important of which were the predominance of small industrial enterprises, low private sector productive investment, a low savings rate and restrictions on the movement of goods and labour. In addition, the persistent and large balance-of-trade deficit, which had increased by some 300 per cent between 1990 and 1998, further burdened the infant Palestinian economy. Several measures needed to be taken to tackle these problems, including the introduction of new policies to encourage investment and savings, diversification of the economy, export promotion and technology upgrading.

11. UNCTAD's programme of technical cooperation for the Palestinian people was extremely valuable for the Palestinian Authority. However, only 31 per cent of the required budget was available, and she called on the international community to finance the programme promptly; to that end, UNCTAD should intensify its efforts in respect of donor co-ordination. In conclusion, she welcomed the intention of the secretariat to appoint a Coordinator for the programme of assistance to the Palestinian people before the end of the year. The programme had been implemented with half of the envisaged staff resources provided for in the 1998-1999 biennium and required by General Assembly resolution 52/220. The African Group hoped that the Coordinator would be appointed as indicated so as to enable the secretariat to respond to the needs of the Palestinian people.

12. The representative of **Israel** said that his Government viewed the improvement of the economic situation in the Palestinian Authority areas as an important objective, since the Israeli and

Palestinian economies were closely interrelated. An increase in the standard of living of the Palestinians was an important goal for the achievement of good neighbourly relations between the two peoples. Israel had made a considerable effort to support the Palestinian economy, working along two principal avenues, namely employment and private sector development. Currently, over 60,000 Palestinians worked in Israel with a permit, as a result of which Palestinian unemployment had been reduced. Many efforts had been made to promote the Palestinian private sector by encouraging investment, assisting businessmen and contributing to the establishment of industrial zones.

12. Over the past 41 years, Israel's Center for Development Cooperation, MASHAV, had assisted different peoples through technical training and technology transfer, and it was only natural that emphasis be placed on cooperation with the Palestinian Authority. Accordingly, some 2,400 Palestinian students had already received training in the past few years from MASHAV, covering health, labour, agriculture and enterprise development. In conclusion, he reiterated Israel's support for UNCTAD's technical assistance to the Palestinians, as long as these activities were in line with Israeli-Palestinian bilateral agreements. He hope that in the near future Israel could cooperate with UNCTAD in technical cooperation programmes for the benefit of the Palestinians and the region as a whole.

14. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Asian Group and China**, said that the Asian Group had been at the forefront of the initiative to establish the secretariat's programme of assistance to the Palestinian people, beginning at UNCTAD VI. It remained committed to sustaining this programme, at the level of resources mandated by the General

Assembly. The Asian Group had followed closely the work programme, which had matured from analysis and research into a comprehensive range of technical assistance programme that responded to the needs of Palestine. This programme provided a good example of how UNCTAD could combine its analytical capabilities with limited but well allocated regular and extrabudgetary resources to deliver relevant and timely technical assistance to developing countries.

15. While technical cooperation was the overriding priority of the programme, it was useful that the secretariat had not abandoned its original objective of providing an update on recent Palestinian economic and trade performance. While recent developments had produced some important benefits for the long-term restructuring of the Palestinian economy, economic hardship, unemployment, poverty, trade bottlenecks and structural imbalances had remained high and in some cases at alarming levels.

16. The secretariat report had provided a helpful birds-eye view of the emerging international consensus on the performance of Palestine in managing its national economy. The growing diversification of import sources would certainly help Palestine to reintegrate into the regional and global economies after decades of occupation and isolation. The concentration of exports on one market and their slow growth pointed to trends that could not be sustained in the face of a trade deficit that had tripled since 1990.

17. However, Palestine had begun to tackle policy shortcomings and technical impediments seriously in order to redress trade imbalances and promote market access for Palestinian exports, attract foreign investment and technology, and enhance its trade and economic status at the bilateral

regional and multilateral levels. In that regard, the Asian Group fully supported the efforts of Palestine to integrate into the multilateral trading system.

18. The international community had a continuing responsibility in respect of the question of Palestine, which had preoccupied the United Nations since its inception. In this respect, UNCTAD had a special role to play. Palestine had benefited from the best of UNCTAD technical assistance and should continue to receive this valuable support in the critical years of nation-building that lay ahead. Finally, in its programme of technical assistance, the UNCTAD secretariat had done a great deal with limited budgetary resources and should receive further funding from donors, both bilateral and multilateral, to ensure the continuity of UNCTAD's special role in the sectors of trade, finance, investment and related services.

19. The representative of **Switzerland** congratulated the secretariat for the quality of its work, as reflected in its report, and for its assistance to the Palestinian people in the past and in the future. The secretariat had shown great vision with regard to the future activities of assistance proposed for the coming years. In the future it would be important for the secretariat to further coordinate its efforts in the area of trade and cooperation with relevant multilateral and bilateral sources active in the region. Total transparency should be maintained in the secretariat's work, as had been the case in the item under consideration. Regular reporting was required to closely monitor coordination efforts with other international organizations, as well as with experts and non-governmental organizations operating in the field, in order to avoid duplication of work and projects. The Swiss delegation further insisted on the crucial importance of enhancing regional economic integration

20. The representative of the **League of Arab States** said that the shift in focus of UNCTAD's programme of assistance to the Palestinian people from research and analysis to technical co-operation was a positive step. Since 1995, the technical co-operation programme had targeted the trade and services sectors through advisory missions, training and workshops in response to various requests received from several ministries of the Palestinian Authority.

21. The Palestinian Authority had worked hard to develop an economic environment that facilitated the implementation of development plans. Most important in this regard had been the establishment of separate legislative and executive powers. The Palestinian Authority had also realised the importance of emphasizing infrastructure, as attested by the Development Plan 1999-2003, which dedicated 48 per cent of capital investment to infrastructure, including vital sectors such as transportation, health and energy.

22. Despite the progress achieved by the Palestinian Authority over the past several years with donor assistance, more needed to be done. Because of a lack of sufficient resources, UNCTAD was unable to implement several projects, and he called on donor countries and UNCTAD member States to augment their support for the programme of technical co-operation for the Palestinian people to allow Palestine to be active in international and regional forums. This was particularly important in view of the fact that during the meeting of the Group of 77 and China in Marrakech, Palestine had officially declared its intention to apply for observer status at the WTO, as a separate customs area.

23. He expressed the hope that the vacant position of Coordinator for assistance to the Palestinian people would be filled promptly, in accordance with General Assembly resolution 52/220

of 12 December 1997, which stressed the need for a coordinator and another officer. He also welcomed the decision of the Netherlands to fund an associate expert for the programme. In concluding, he stressed the importance of a just and comprehensive peace in the Middle East for the development and well-being of the peoples of the region. The Arab States viewed peace as a strategic option.